



CU's Get Their Day

True to his word, during the 2004 CUNA GAC in February, House Financial Services Committee Chairman Michael Oxley (R-Ohio) said he was committed to regulatory improvements for credit unions. The Financial Institutions Subcommittee is holding a hearing on the topic July 20. (CUNA photo)

Credit unions get their day in the sun. The Financial Institutions Subcommittee of the House Financial Services Committee will hold a hearing July 20 on credit union regulatory improvements.

Sharon Custer, president/CEO, BMI FCU, Columbus, Ohio, will be testifying on CUNA's behalf.

CUNA will be discussing regulatory improvements credit unions are seeking, particularly as outlined in the CU Regulatory Improvements Act (CURIA, H.R. 3579) and the Financial Services Regulatory Relief Act (H.R. 1375).

CURIA includes important provisions such as increasing the limit on credit union member business loans (MBLs) from 12.25% of assets to 20% of assets and reforming the prompt corrective action (PCA) system to take into account more accurate risk assessments.

The bill currently has 61 cosponsors.

H.R. 1375 contains regulatory relief provisions for both credit unions and banks. 🏠

Governmental Affairs

http://www.cuna.org/gov_affairs/legislative/issues/curia.html

Republican Tax Writers Support Tax Status

Six Republican members of the House Ways and Means Committee wrote a letter June 25 to President George W. Bush thanking him for his April 30 letter to CUNA President/CEO Dan Mica supporting credit unions' tax exemption status.

CUNA has been working to create an environment on Capitol Hill where lawmakers feel encouraged to side with the 85 million Americans who are credit union members.

"The American credit union movement began as a cooperative effort to serve the productive and provident credit needs of individuals of modest means," the lawmakers wrote President Bush.

"The mission of credit unions has not changed; they continue to serve the needs of the consumer and provide an important choice for financial services, they added.

"Credit unions continue to provide the same service to their members they always have—consumers save over \$150 per year in fees and other charges alone by membership in a credit union."

The letter, signed by Reps. Mac Collins (Ga.), Philip Crane (Ill.), Nancy Johnson (Conn.), Ron Lewis (Ky.), Paul Ryan (Wis.), and Jerry Weller (Ill.), concludes opposing any limitation or modification of the tax-exempt status of credit unions.

They believe credit unions should remain tax exempt because they are >>

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CU Leaders Rebuff Bank Letter

Ignore bankers' calls for more paperwork burdens for credit unions, CUNA and the National Association of FCUs (NAFCU) told the chairman of the House Ways and Means Committee. The trade groups were responding to the bankers' attempts to get credit unions to file an annual information return (IRS Form 990) that some other tax-exempt organizations must file.

CUNA and NAFCU pointed out inaccuracies contained in the joint American Bankers Association and America's Community Bankers letter. They told Chairman Bill Thomas (R-Calif.) and his committee that unlike other tax-exempt organizations, Congress specifically determines what powers and authorities federally chartered credit unions have.

"This means that every activity that a

federal credit union engages in is, by the determination of Congress, within the federal credit union's tax-exempt purpose," CUNA and NAFCU wrote in a letter. "Moreover, unlike other tax-exempt organizations, there is a federal agency (NCUA) charged with implementing the authorities and overseeing the limitations established by Congress in the Federal CU Act. Therefore, 990 reporting by federal credit unions is unnecessary."

They pointed out that the bankers are only seeking to burden credit unions with unnecessary paperwork at a time when Congress is taking action to lessen the regulatory burdens on all financial institutions. ■

 **Bank Attacks: CUs Fight Back!**
http://www.cuna.org/member/bank_attacks.html

Bank Sub S Bill Delayed

The bankers will wait at least until September before seeing any action on the Subchapter S bank provisions contained in an international corporate tax bill, according to Senate Finance Committee Chairman Charles Grassley (R-Iowa).

The House and Senate have both passed their own versions of the corporate tax measure, although the Senate bill does not contain the Sub S provisions as the House bill does.

"Although CUNA does not object to the Subchapter S bank provisions or efforts to reduce taxes for bankers, CUNA is compelled by recent events to point out the banking trade associations' hypocrisy and duplicitous stance in these matters," says CUNA.

The bill contains 11 provisions that would benefit S corporations or make it easier for banks to convert to the tax-advantaged firms. Other Subchapter S reforms in the House bill:

- ▶ Increases the number of S corporation eligible shareholders to 100 from 75;
- ▶ Counts family members as only one shareholder;
- ▶ Permits S corporation shares to be held in Individual Retirement Accounts; and
- ▶ Eases restrictive passive income and bank director share rules.

 **CUNA Governmental Affairs**
http://www.cuna.org/gov_affairs/index.html

By the Way

▶ U.S. Rep. Marcy Kaptur (D-Ohio) issued a statement appearing in the *Congressional Record* July 7 encouraging Congress to support international credit union development through U.S. Agency for International Development and other venues. Kaptur said not everyone in the world can relate to the 85 million Americans who benefit from credit unions' safety and soundness, good deals on consumer and home mortgage loans, and sound financial advice.

▶ CUNA President/CEO Dan Mica wrote all U.S. Representatives strongly urging their support for a floor amendment to an appropriations bill to provide \$79 million for the Small Business Administration's 7(a) guarantee loan program in fiscal year 2005. The amendment passed overwhelmingly.

▶ Twenty-one U.S. House members expressed disappointment to Federal Deposit Insurance Corp. Chairman Don Powell for his call for taxation of credit unions and their 85 million members. "It is difficult to imagine that banks, which have posted record profits of \$120.6 billion and have combined assets of \$9.1 trillion, are threatened by the \$610 billion credit union industry," they said.

 **CUNA News Now**
<http://www.cuna.org/newsnow/newsnow.html>

▶ From page 1

Republican Tax Writers

member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors, and because they have the specified mission of meeting the credit and savings

needs of consumers.

Ways and Means Committee Chairman Bill Thomas (R-Calif.) began a series of hearings examining the tax status of non-profit organizations. The banking industry has been lobbying him to hold a hearing on credit unions' tax status as well.

"Even though the possibility of a critical

hearing on the tax exemption remains," said John McKechnie, CUNA senior vice president of governmental affairs, "there is an impressive array of members of Congress, as well as both major party candidates for President, who have already looked at the issue and decided that credit unions continue to deserve their tax status."



>> Regulatory Affairs

CUNA Files Brief in Utah FOM Case

The bankers' arguments are without merit, CUNA, the Utah League of CUs, and credit unions told the court in a brief filed July 12 in the bankers' case against NCUA concerning its approval of field-of-membership (FOM) applications for Tooele FCU and others.

The brief was filed in support of NCUA in the lawsuit filed against it by the American Bankers Association, the Utah Bankers Association, Bank of Utah, Liberty Bank, First Union Bank, and Frontier Bank FSB.

"We think our side has effectively

shown that the bankers' arguments are without merit," said CUNA General Counsel Eric Richard. "But it could still be weeks before there is an oral argument and still longer until the judge renders a decision."

The main arguments of the brief:

- ▶ NCUA followed proper APA standards of review;
- ▶ The "streamlined" chartering process does not create a presumptive limit on the size of a local community;
- ▶ NCUA applied the relevant criteria and based its decision upon such rel-

evant evidence as a reasonable mind might accept as adequate to support its conclusion; and

▶ NCUA approved applications filed by the four credit unions to expand their FOMs to serve a broader community. The credit unions' applications were reviewed and approved by NCUA under NCUA regulations implementing the CU Membership Access Act of 1998.

"The record reflects a careful and attentive discussion of the relevant issues by the NCUA Board members," said Richard. 🏠

CUNA Supportive of FACT Act Disposal Rule

CUNA wrote a comment letter to NCUA generally supporting its proposed rule regarding the disposal of consumer report information and records, as required under the Fair and Accurate Credit Transactions (FACT) Act.

The FACT Act requires NCUA, the Federal Trade Commission, and the other federal financial institution regulators to issue comparable rules regarding the proper disposal of consumer report information that is also consistent with the Gramm-Leach-Bliley Act provisions on information security, as well as other similar provisions of federal law.

CUNA generally supports the substantive provisions of the proposed rule regarding the disposal of consumer information. CUNA believes, overall, that the proposal adequately balances the concerns of consumers and the industry.

Compliance will be required within three months after the final rule is issued, and credit unions will have one year to modify contracts with service providers to incorporate the necessary requirements. CUNA believes this time frame will be sufficient.

CUNA Comment Letters
http://www.cuna.org/reg_advocacy/index.html

No Piecemeal MBL Regulation Allowed

NCUA issued an opinion letter to the Missouri Division of CUs clarifying NCUA's position that federally insured state-chartered credit unions may only engage in business lending under the terms of NCUA's member business lending (MBL) regulation or a state member business lending regulation approved by the NCUA Board.

"Our view is that state law parity provisions do not provide a legal basis for federally insured state credit unions to elect to engage in business lending under some provisions of NCUA's regulation while relying on other provisions of a previously approved state regulation," NCUA said. 🏠

▶ Take CUNA's Compliance Challenge

Question: In an effort to increase outstanding loans, XYZ FCU wants to offer FHA and VA loans to its members. A board member "remembered" reading somewhere recently that the credit union would not be able to share member's financial information with these government agencies in connection with government loans or government guaranteed loans. Is this board member correct?

Answer: No, the board member is not correct.

Although the Right to Financial Privacy Act generally prohibits a financial institution from providing a customer's financial records to any government agency, without a signed authorization from the customer; a search warrant; a judicial subpoena; a summons or administrative subpoena; or a formal written request. However, there are certain exceptions that permit a financial institution to provide a customer's financial records to a government agency without such formalities.

The law indicates that a financial institution may provide a customer's financial records to a government agency (such as the Federal Housing Authority or Veterans Administration) in connection with processing an application for a government loan, loan guarantee or loan insurance agreement, or in connection with the administration of or default on a government guaranteed or insured loan so that the government agency will be able to carry out its responsibilities.

Therefore, XYZ Federal will be able to provide appropriate financial information from its members to the FHA or VA in connection with government guaranteed or insured loans that the members have applied for.

Compliance Challenge
<http://www.cuna.org/compliance/index.html>



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- **From Inspiration to Innovation** – *Andy Stefanovich*, CEO of PLAY, uses creativity to develop solutions in branding and leadership.
- **CU Sound-Off** – *Kate O'Beirne and Bill Press*, two Washington insiders, offer lively updates on national politics.
- **The Power of Storytelling** – *Kevin Carroll*, "Katalyst" for Nike, uses stories to foster creativity, individual learning, and change.
- **Credit Union Real Stories Live!** – *Patrick Adams*, EVP, St. Louis Community CU, brings to life the "people helping people" philosophy.

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- **Servant Leadership:** Creating the High Engagement Workplace
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>> Political Affairs

CUNA Takes Child ID Program to Presidential Conventions

CUNA will be participating in the 2004 Democratic National Convention in Boston July 25-30, alongside four state credit union leagues and some of their members.

During the event, the credit union groups will showcase efforts to keep kids safe by distributing more than 80,000 child identification kits as part of a partnership with the National Child Identification Program.

“Our first big splash with the child ID initiative will happen during this summer’s Democratic and Republican National Conventions in Boston and New York,” said Gary Kohn, CUNA’s vice president of legislative affairs.

“More than 80,000 kits will be distributed in those two cities by credit union volunteers.”

Kohn said the partnership hopes to distribute more than a couple million kits through credit unions during the next several years.

According to the National Child Identification Program, more than 800,000 children are reported missing each year as runaways or as the result of abduction by strangers or family members—one child every 40 seconds.

Credit unions can obtain the child identification kits through a new website. The inkless fingerprint kits allow parents to take and store a child’s

fingerprints in their own home. The process takes only about five minutes.

In Boston, CUNA staff will be joining the Maryland, Massachusetts, Michigan, and Tennessee credit union leagues and some of their credit union members during the weeklong events.

CUNA *News Now* will be reporting, in part, from Boston that week. CUNA also will be a part of the Republican National Convention in New York City in late August. ■

 **CUNA partnership with National Child ID Program**
<http://www.360id.com/creditunions.htm>

Top 20 Political Action Committee (PAC) Contributors to Federal Candidates, 2003-2004*



Totals include subsidiaries and affiliated PACs, if any.

*For ease of identification, the names used in this section are those of the organization connected with the PAC, rather than the official PAC name.

For example, the "Coca-Cola Company Nonpartisan Committee for Good Government" is simply listed as "Coca-Cola Co."

Based on data released by the Federal Election Commission on Monday, July 5, 2004.



>> Notes Bearing Interest

Five CUNA Board Candidates Are Unopposed

Of the 13 nominations submitted and verified for eight CUNA Board seats, five are unopposed in their districts and will be elected by acclamation.

The five individuals elected to three-year terms are:

- ▶ Joseph Bergeron, president of the Vermont CU League, who replaces John Murphy in District 1, Class D;
- ▶ William Herring, president/CEO of Cincinnati (Ohio) Central CU, who replaces Pat McGrady in District 2, Class B;
- ▶ Robert S. Walls Sr., president/CEO of the Delaware CU League, who replaces Ken Watts in District 2, Class D;
- ▶ Harriet May, president/CEO, Government Employees CU of El Paso,

Texas, who replaces Chris Jillson in District 5, Class C; and

- ▶ Grace Mayo (incumbent), president/CEO, Telesis Community CU, Chatsworth, Calif., District 6, Class B.
- They will officially begin their term Oct. 26, immediately following CUNA's Annual General Meeting during CUNA's 2004 Future Forum in Honolulu.

The contested elections are in District 1, Class A; District 3, Class C; and District 4, Class A.

In District 1, Class A, candidates are: Diana L. Roberts (incumbent), president/CEO, Hershey (Pa.) FCU, and Robert D. Steeves, CEO/board member of Essex County Teachers FCU, Bloomfield, N.J.

In District 3, Class C, candidates are: Tom Dorety (incumbent),

president/CEO of Suncoast Schools FCU, Tampa, Fla., and H. Greg McClellan, MAX FCU, Montgomery, Ala.

District 4, Class A has four candidates:

- ▶ Janet Honse (incumbent), president/CEO, Rolla (Mo.) FCU;
- ▶ Jim Roche, CEO, president/CEO, Premier CU, Palatine, Ill.;
- ▶ Pat Wesenberg, president/CEO, Point Plus CU, Stevens Point, Wis.; and
- ▶ Dean Wilson, president/CEO, Wauwatosa CU, Menominee Falls, Wis.

Ballots for the three contested elections were distributed last week to eligible credit unions. Voting will close on Sept. 1, and results will be reported Sept. 3. 🏠

CUNA Directors and Bylaws
<http://www.cuna.org/cuna/index.html>

CUNA Board Elections

| Credit Unions <small>(Class is based on number of members as of December 31, 2003)</small> | Class | District 1 Connecticut Maine Mass. N. Hampshire New Jersey New York Pennsylvania Rhode Island Vermont Puerto Rico Virgin Islands | District 2 Delaware D.C. Indiana Kentucky Maryland Ohio Virginia W. Virginia | District 3 Alabama Arkansas Florida Georgia Louisiana Mississippi N. Carolina S. Carolina Tennessee | District 4 Illinois Iowa Michigan Minnesota Missouri Wisconsin | District 5 Arizona Colorado Kansas Montana Nebraska New Mexico North Dakota Oklahoma S. Dakota Texas Utah Wyoming | District 6 Alaska California Hawaii Idaho Nevada Oregon Washington Am. Samoa Guam |
|---|---------|---|--|--|--|---|--|
| Up to 15,999 Members | Class A | 2004 Diana Roberts (I) Robert Steeves | 2006 Jim Oliva | 2005 Sandy Lingerfelt | 2004 Janet Honse (I) Jim Roche Pat Wesenberg Dean Wilson | 2005 Mary Shipe | 2006 Don Larsen |
| 16,000 to 58,999 Members | Class B | 2005 John Prumo | 2004 *William A. Herring | 2006 Laida Garcia | 2005 Allan McMorris | 2006 Kris Mecham | 2004 *Grace Mayo (I) |
| At Least 59,000 Members | Class C | 2006 Patrick Calhoun | 2005 Juri Valdov | 2004 Tom Dorety (I) Greg McClellan | 2006 Paul Parish | 2004 *Harriet May | 2005 Richard Ghysels |
| Leagues | Class D | 2004 *Joseph Bergeron | 2004 *Robert Walls | 2005 Gary Wolter | 2005 Tom Griffiths | 2006 Dick Ensweiler | 2006 Gene Poitras |

* Uncontested (I) = Incumbent



>> The Marketplace

New Prepaid Card Program for CUs

Credit unions now can offer members a prepaid card program that features extra convenience and security. The program, announced by CUNA and *Travellex*, is sponsored by VISA. It is available in four formats:

- ▶ VISA Cash Passport, a prepaid stored-value card designed for obtaining local currency at ATMs both domestically and abroad;
- ▶ VISA Gift Cards, a prepaid point-of-sale debit card;
- ▶ VISA *TravelMoney* Card, a prepaid ATM and point-of-sale debit card; and
- ▶ VISA Money Transfer Cards, providing card-to-card transfers of cash using Internet-based payments, exchanges and settlement technology.

The Cash Passport Card, with unlimited reload capabilities, is available immediately. Credit union members can use the card for withdrawals at more than 870,000 VISA ATMs worldwide.

The other cards will be rolled out during fourth-quarter 2004. Credit unions will pay a nominal \$100 upfront fee for the program, which includes all four cards.

“Prepaid card programs offer credit union members a secure

way to send funds to loved ones, travel, or even get the perfect gift for those ‘hard to shop for’ people,” said Tom Tucker, senior vice president and head of business partners at *Travellex*.

Since the cards aren’t tied to members’ accounts, they alleviate concerns about overdraft fees and possible account-theft issues, he added.

The Money Transfer Card offers “a huge benefit to Hispanic credit union members looking for an easy and low-cost way to send and receive remittances,” explained Wes Millar, CUNA vice president of strategic alliances.

The cards are an addition to the programs CUNA already has with *Travellex* for VISA Travelers Cheques, My Wallet Travel (a foreign exchange/travel products online) and the recent agreement for remittances through the *IRnet* Money Transfer program.

For more information, contact Shirley Mazanet, product manager for CUNA’s strategic alliances, at 800-356-9655, ext. 4290, or smazanet@cuna.coop. ☰

CUNA Prepaid Card Program
http://alliances.cuna.org/csa_visatcs.html



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FIRST CLASS TIME SENSITIVE MATERIAL

